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**January 31, 2008**

**Mr. Stephen Ahearn**  
**RUCO**  
**1110 West Washington**  
**Phoenix, AZ 85007**

**Re: Reconsideration of Decision No. 68858**  
**Arizona-American Water Company, Paradise Valley Water District;**  
**Docket Nos. W-01303A-05-0405 and W-01303A-05-0910**

**Dear Mr. Ahearn:**

At the staff meeting on December 6, 2007, the Commission voted unanimously not to reconsider Decision No. 68858 pursuant to A.R.S. § 40-252 until the parties to the case had crafted a proposal for us to consider. On January 15, 2008, the Commission received a letter from James C. Bacon, Jr., the town manager for Paradise Valley, with a new rate design proposal attached.

I was impressed that the Town, Paradise Valley homeowners' associations and resorts, and Arizona-American managed to reach consensus on changes to the High Block and Public Safety surcharges as an interim solution for the purpose of alleviating rate shock while providing the funding necessary to make the fire-flow improvements required by the Town.

While I have not yet formed an opinion as to the merits of this proposal, it seems only fair to consider it. In my letter dated September 7, 2007, I stated that before I would be willing to revisit this matter, two threshold issues needed to be addressed, the scope of the proposed rehearing and the position of the Town of Paradise Valley on eliminating or altering the surcharges. Both these conditions have been met.

It also appears that the parties have crafted a proposal for the ACC to consider; however, in his letter Mr. Bacon pointed out that Arizona-American "was prepared to sign the Rate Design Agreement, but due to the possibility that RUCO would oppose the new rate design and request a full briefing schedule Arizona-American will not sign at this time." Is this indeed RUCO's intent?

As you are aware, in Decision No. 68858 Arizona-American was ordered to file a permanent rate case for its Paradise Valley water system by no later than September 30, 2008. It is my understanding that the company intends to file in April or May. Depending upon how long it takes to consider the proposed interim solution, Commission Staff and RUCO could potentially be working on two rate cases for the Paradise Valley system at the same time – hardly an efficient allocation of taxpayer dollars.

I would support reconsideration of Decision No. 68858 pursuant to A.R.S. § 40-252 if the scope of the proceeding is limited to the consideration of the proposal put forth by the Town, Paradise Valley homeowners' associations and resorts, and Arizona-American. Anything beyond that is best left to the upcoming permanent rate case.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, reading "William A. Mundell". The signature is fluid and cursive, with the first name "William" and last name "Mundell" clearly legible.

William A. Mundell, Commissioner  
Arizona Corporation Commission

cc: Chairman Gleason  
Commissioner Hatch-Miller  
Commissioner Mayes  
Commissioner Pierce  
Dean Miller  
Ernest Johnson  
Chris Kempley  
Lyn Farmer  
Rebecca Wilder  
Town of Paradise Valley Council  
Mike Surguine, Sanctuary on Camelback Mountain  
Ralph Scatena, Camelback Inn  
Richard Bibee, Scottsdale Renaissance  
Parties to the Docket